

Montgomery County Council September 13, 2004

**Statement of Peter Rost, MD
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My name is Peter Rost and I have spent 20 years marketing pharmaceuticals. I've been a Managing Director in Europe, responsible for a region of 4 countries and I'm currently a Vice President with PFE.

I have done quite well at PFE. If you compare PFE drugs with sales of more than \$100 million in the US, the key drug in my area delivered one of the best results within all of PFE in 2003, measured by sales vs. budget.

Important to note is that I do not in any way represent PFE today. I emphasize this since PFE does not permit employees to speak to journalist on behalf of PFE without prior approval. I'm simply using my right to free speech, guaranteed in the first amendment.

As you can tell I have an accent. I came to the US from Sweden 20 years ago. At that time I voted with my feet. I was a right-wing republican, in search of liberty, freedom and lower taxes. I'm also a physician and I couldn't stand socialized medicine. I am very thankful, not only for what this country has provided me, but also opening my eyes politically.

And—I'm shocked by what I've learned.

You see, I'm not only a pharma executive but also a human being. And I am in pain when I see what is going on in politics in general and the healthcare area in particular.

Today's theme is reimportation so I'll focus just on that area.

The biggest argument against reimportation is lack of safety.

This is an argument that could only be put forward in a country in which less than one in four citizens have applied for a passport in the last ten years and even fewer have traveled overseas. What everyone has conveniently forgotten to tell you is that in Europe reimportation of drugs, parallel trade as it is called there, is an institution which has been in place for 20 years. You see, the European Union has an important law that guarantees free trade within the union. There are large pharmaceutical companies specializing in nothing but buying drugs in Greece, Italy and Spain and shipping them to UK, Germany, and the Nordic countries. The cost of drugs in southern Europe is often much less than what you pay in the north.

During my time responsible for a region in northern Europe, I never once—NOT ONCE—heard the drug industry, regulatory agencies, the government, or anyone else express any concern related to safety. And I think it is outright derogatory to claim that

Americans would not be able to handle reimportation of drugs, when the rest of the educated world can do this.

Some people clearly are very scared about this and will put forward almost any argument. On August 12, the Associated Press reported that acting FDA Commissioner Lester Crawford had said that his main concern about drug reimportation was that AL QAEDA might attack the supply of drugs coming from Canada. I assure you this is not a joke from Letterman.

So why is reimportation important? It is important because reimportation has a major impact on drug prices and a lot of people can't afford life-saving drugs today. They don't take them, they don't work.

Based on the European experience, reimportation wouldn't mean that the large companies immediately drop their prices, but it would mean that there is an alternative supply, at a lower price, for those who cannot afford high prices. I know from personal experience. I was one of the executives who lost sales in northern Europe when my southern colleagues shipped their drugs into my market. And I can assure you I WAS NOT happy. But I responded by lowering some of my own prices, and lo and behold, in an area in which we competed with AstraZeneca, we went from a 5% to 30% market share in 18 months. So the free market rewarded us and my sales doubled in just two years.

And free market is what this is all about. I do believe in a free market. I think most of you believe in a free market. Clearly not everyone else does. So what are the consequences?

The consequences are terrible, because we're talking about drugs; drugs that save lives, drugs for chronic illness.

The February 2004 issue of Diabetes Care reported of a study in older adults with diabetes. 28%—ONE IN THREE—reported forgoing food or other essentials to pay medications costs.

A CHOICE BETWEEN FOOD VS. MEDICINE?

It is time to speak out.

We have to speak out FOR the people who can't afford drugs, IN FAVOR OF free trade and AGAINST a closed market.

I frequently hear the argument that high prices are necessary to fund the costs of R&D. To test the thesis that high prices are necessary to fund R&D, let's look at Merck & Co. I picked Merck because it used to be one of the most admired corporations in the US and because I also respect what they do. In 2003, Merck recorded revenue of \$22.5 billion. Of this, they spent \$3.2 billion on R&D. That's not quite as much as they paid out in dividends—\$3.3 billion, and much less than their 'marketing, sales and administrative'

costs—\$6.4 billion. After other charges and taxes, the company still recorded profit of \$6.8 billion, giving them a margin of 30%.

What is also interesting is that if you multiply Merck's numbers by ten you get a good picture of the entire drug sector.

According to 2003 data from the Kaiser Family Foundation, in the United States, 67 million Americans have no insurance coverage for drugs. They pay not only out of pocket, they pay full price, without rebates.

Half the large drug companies are foreign corporations. Novartis, Switzerland, Aventis/Sanofi, France, Astra-Zeneca and Glaxo from the UK. Why should we allow them to come in and gouge the American consumers when our US drug companies are only allowed to charge half or one-tenth of our US prices in their home countries? And don't give me the line that we should raise prices in Europe, it is very far fetched. What we are doing, to a large extent, is giving handouts to foreign corporations.

According to a June 2004 press release from the University of Michigan Health System, "nearly half of patients who have a prescription for any of the cholesterol-fighting drugs called statins fail to fill their prescription often enough—or stop filling it altogether, even though statins give the most benefit if used long-term." HALF THE PATIENTS. The press release goes on to say that "Not surprisingly, patients' out-of-pocket costs for these drugs are a contributing factor. Patients whose insurance plans make them pay more than \$20 for each month's supply are three times more likely to fall behind on their prescription, and four times more likely to stop taking the drug altogether, than those whose co-pay is under \$10."

DRUGS DON'T WORK IF PEOPLE DO NOT TAKE THEM, BECAUSE THEY CAN'T AFFORD THEM. AND THAT IS A BIGGER SAFETY ISSUE THAN ANYTHING ELSE.

So what is the result of all of this? Drugs are meant to save lives, so let's see where we stand in the US. Americans have shorter life expectancies, higher infant mortality rates, and higher child mortality rates than a host of educated but less wealthy countries, including Canada, UK, Germany, France, Belgium, Netherlands, and on and on.

BUT WE BEAT THEM ALL IN ONE AREA!

Our healthcare costs are twice as high as theirs. And our costs for individual drugs are sometimes twice as high, even ten times as high.

For years our politicians have pretended to pass bill after bill that will change this, but somehow those bills always had a loophole and were never implemented. Lot's of talk and posturing, no result.

Abraham Lincoln said "You can fool some of the people some of the time but not all of

them all the time.”

And he hadn't even read the February 2004 issue of Pharmaceutical Executive. Let me tell you what they say: “One of the most DANGEROUS TRENDS in public opinion is the big increase in those WHO KNOW that drugs cost much more in the United States than they do in other countries.

The article goes on to say that “Only 13 percent believe the drug industry is generally honest and trustworthy.”

SO 87 % OF THE AMERICANS DON'T THINK BIG PHARMA IS HONEST AND TRUSTWORTHY

What other business with such a rating could even hope to survive? You're right—the tobacco companies. As a matter of fact, the reputation of the pharma industry, an industry that saves lives is now on par with the tobacco industry, an industry that saves very few lives. I hope that speaking out will help not only patients, but also wake up the drug companies, because they are certainly not helping themselves right now.

Let me leave you with some personal thoughts:

--I don't believe we are put on this earth to make as much money as we can.

--I don't think we're here to rip off the weakest and poorest.

--We are here to help each other and make it a better world.

So what can YOU do? YOUR work, YOUR writing, can save lives, the lives of patients that can't afford drugs. YOU can change the future.

Thank you.